

Message Text

LIMITED OFFICIAL USE

PAGE 01 LAGOS 03939 071618Z
ACTION EB-08

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 ISO-00
SSO-00 NSCE-00 USIE-00 INRE-00 ERDE-00 ERDA-05
AID-05 CEA-01 CIAE-00 COME-00 DODE-00 FEAE-00
FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-04 OES-06 SP-02 SS-15 STR-04 TRSE-00
ACDA-07 PRS-01 PA-01 /126 W
-----071621Z 103741 /46

O R 071531Z APR 77
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC IMMEDIATE 371
INFO AMEMBASSY ALGIERS
AMEMBASSY ABU DHABI
AMEMBASSY BEIRUT
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
AMCONSUL DHAHRAN

LIMITED OFFICIAL USE LAGOS 3939

E.O. 11652: N/A
TAGS: ENRG, NI
SUBJECT: NIGERIAN GOVERNMENT PRESENTS INVESTMENT INCENTIVE
PROPOSALS TO OIL COMPANIES

REF: LAGOS 347, LAGOS 3634 (BOTH NOTAL)

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LAGOS 03939 071618Z

1. MINISTRY OF PETROLEUM RESOURCES HELD FIRST SERIES OF
MEETINGS WITH OIL COMPANIES TO DISCUSS PROPOSED NEW INVESTMENT
INCENTIVES APRIL 7. DIRECTOR OF PETROLEUM RESOURCES F.R.A.
MARINHO PRESENTED MINISTRY'S PROPOSALS ORALLY TO COMPANY
REPRESENTATIVES AND REQUESTED COMPANY COMMENTS WITHIN TEN DAYS.

2. ESSENTIAL TERMS AS FOLLOWS:

A) COMPANIES WILL BE ALLOWED TO WRITE OFF 100 PERCENT OF COSTS, BOTH TANGIBLE AND INTANGIBLE, OF WILDCAT EXPLORATION WELLS AS WELL AS FIRST TWO APPRAISAL WELLS IN SAME YEAR AS COSTS INCURRED.

B) CAPITAL DEPRECIATION ON PRODUCTION FACILITIES WILL BE ACCELERATED FROM PRESENT 5 AND 10 PERCENT PER YEAR ON DECLINING BALANCE TO A FIGURE BETWEEN 15 AND 20 PERCENT PER YEAR ON DECLINING BALANCE (EXACT PERCENTAGE DEPENDS ON RESULT OF COMPANY-FMG NEGOTIATIONS).

C) INVESTMENT IN DEVELOPMENT WELLS CAN BE WRITTEN OFF AT RATE OF 20 PERCENT PER YEAR ON STRAIGHT LINE BASIS.

D) OIL PRODUCTION FROM WELLS DRILLED IN WATER OVER 50 METERS DEEP WILL BE LIABLE TO ROYALTY PAYMENT OF SIXTEEN AND TWO-THIRDS PERCENT INSTEAD OF PRESENT TWENTY PERCENT.

E) OIL PRODUCTION RESULTING FROM COMPLETELY NEW INVESTMENTS IN AREAS WHICH HAVE NOT STARTED PRODUCTION WILL BE LIABLE TO A PETROLEUM PROFITS TAX RATE OF BETWEEN 65 AND 75 PERCENT (EXACT RATE DEPENDS ON OUTCOME OF COMPANY-FMG DISCUSSIONS) UNTIL PRE-PRODUCTION EXPENSES HAVE BEEN FULLY AMORTIZED. TAX RATE WILL THEN REVERT TO PRESENT 85 PERCENT RATE.

F) NEW CONCESSION AREAS, BOTH OFFSHORE, WILL BE OFFERED WITHIN THE NEXT THREE MONTHS.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LAGOS 03939 071618Z

3. CRITICAL UNCERTAINTY AS FAR AS COMPANIES CONCERNED IS WHETHER LOWER TAX RATE WILL APPLY TO EXPLORATION AND DEVELOPMENT OF NEW FIELDS BY EXISTING PRODUCING COMPANIES OR WHETHER IT WILL BE RESTRICTED TO NEW INVESTMENTS BY NEW COMPANIES WHO DO NOT CURRENTLY HAVE ANY PRODUCTION IN NIGERIA. ALTHOUGH ONE SMALL COMPANY REPRESENTATIVE SEEMED OPTIMISTIC, MANAGING DIRECTOR OF LARGEST PRODUCER SHELL-BP TOLD EMBASSY PETROFF HE BELIEVED THAT LOWER TAX RATE, WHICH WOULD BE THE MOST ATTRACTIVE INCENTIVE OF ALL, WOULD NOT APPLY TO EXISTING PRODUCERS. MOBIL OIL REPS APPARENTLY TRYING TO GET CLARIFICATION ON THIS KEY POINT IN MEETINGS AT MINISTRY THIS AFTERNOON.

4. EMBASSY BELIEVES ABU DHABI HAS THREE TIER TAX RATE WHICH IS USED TO STIMULATE NEW EXPLORATION AND DEVELOPMENT. WOULD BE GRATEFUL FOR CONFIRMATION OF THIS AND ANY ELABORATION EMBASSY ABU DHABI CAN PROVIDE.
EASUM

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, INVESTMENT CLIMATE, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LAGOS03939
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770121-0936
Format: TEL
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770478/aaaacqde.tel
Line Count: 116
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8ac8c9a8-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 LAGOS 347, 77 LAGOS 3634
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2870157
Secure: OPEN
Status: NATIVE
Subject: NIGERIAN GOVERNMENT PRESENTS INVESTMENT INCENTIVE PROPOSALS TO OIL COMPANIES
TAGS: ENRG, NI
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8ac8c9a8-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009